

Resources & Environment



Farm Service Agency, USDA—Montana

Conservation Reserve Program Approaches Acreage Limit

USDA's Conservation Reserve Program, after accepting 5 million acres in its 18th signup in March 1999, stands just 5 million acres shy of its statutory limit of 36.4 million acres. With relatively little acreage due to expire in the next 3 years, the need to provide for joint Federal-State conservation reserve initiatives, and reserving 4 million acres for purposes associated with the Administration's Clean Water Action Plan, USDA's Farm Services Agency (FSA) noted in announcing the 18th signup results that future signups might not be able to enroll such large acreages.

Indeed, even before announcement of the 18th signup results, legislation was introduced that would raise the statutory cap on CRP enrollment to 45 million acres. Additional legislation was introduced following the signup that would permit the statutory cap to be exceeded if Congress appropriated sufficient funds to support an expansion. In light of these possibilities, analysis was conducted at USDA's Economic Research Service (ERS) of some likely changes in the program if the enrollment cap were increased.

The CRP is a voluntary, long-term cropland retirement program. Under the program, landowners and operators may bid

to enroll environmentally sensitive land for 10-15 years and receive an annual rent plus half the cost of establishing a permanent land cover on accepted acreage. First authorized in the 1985 Farm Act, the program was intended primarily to reduce soil erosion on highly erodible cropland. Secondary goals included protecting the nation's long-term capability to produce food and fiber, reducing sedimentation, improving water quality, fostering wildlife habitat, curbing production of surplus commodities, and providing income support to farmers. The 1990 Farm Act continued the CRP's emphasis on soil conservation as a program objective, but turned increased attention to improving water quality and addressing other environmental concerns and away from earlier commodity and income goals. The program's enrollment was capped at 36.4 million acres by the 1996 Farm Act, down significantly from the original statutory limit of 40-45 million acres.

For the most part, landowners and operators must bid competitively to enroll their land. Bids for participation in the regular CRP are accepted during fixed signup periods, then ranked according to established criteria. The top offers by rank are accepted and enrolled in the program, within the limits of the program's acreage

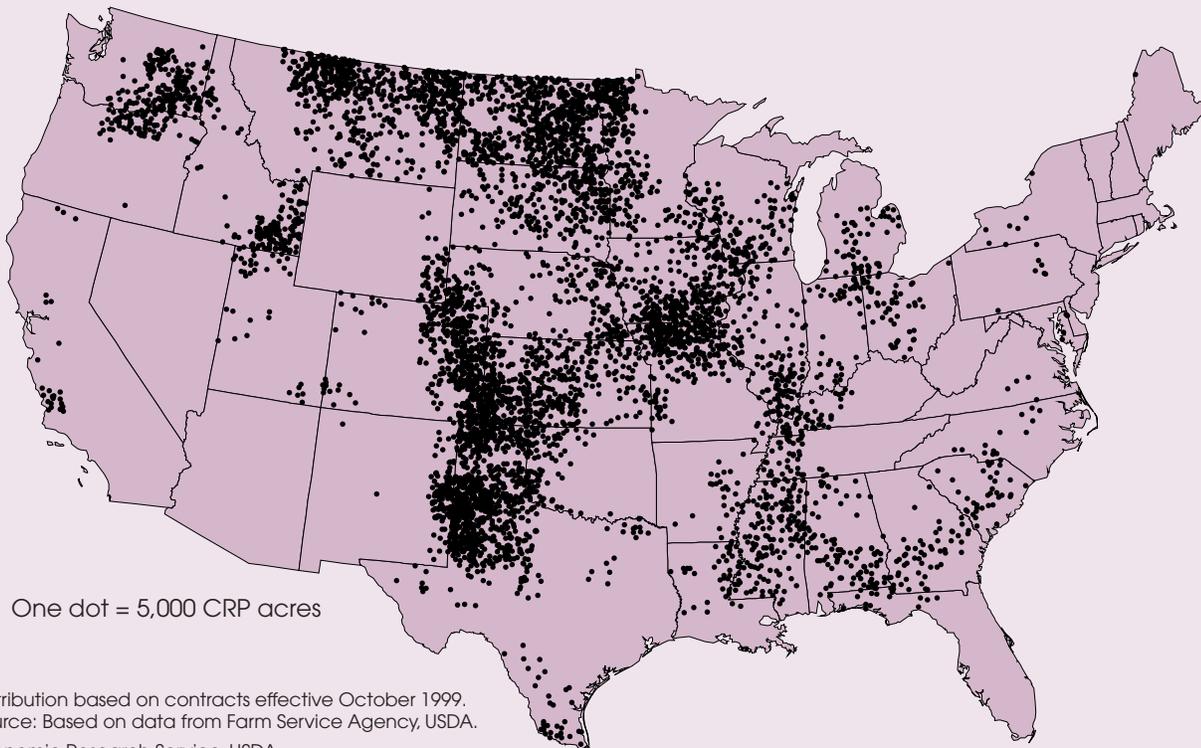
cap. Beginning with signup 15 in 1997, acceptance criteria placed relatively high emphasis on three factors—benefits to wildlife habitat, water quality, and erosion reduction—and incorporated lower weights for three others—practices that result in enduring benefits or improve air quality and bids located in conservation priority areas. The emphasis placed on the cost to taxpayers (from rental rates and cost-sharing asked by producers to enroll acreage) has varied over signups. These seven factors—the first six environmental and the last cost-related—comprise the Environmental Benefits Index (EBI), which has been instrumental in ranking land offers in order to obtain the most efficient program performance.

In addition to the regular, periodic CRP signups, USDA conducts a continuous signup of acreage dedicated to specific conservation practices, such as filter strips, riparian buffers, grassed waterways, field windbreaks, shelterbelts, living snow fences, salt-tolerant vegetation, shallow water areas for wildlife, and well-head protection areas. These practices involve relatively small parcels of land, usually portions of fields, but are expected to provide disproportionately large environmental benefits. Landowners and operators may enroll eligible acres under the continuous signup at any time without using the competitive EBI process if they are willing to accept a set payment rate from USDA. As of March 1999, about 841,000 acres were enrolled under the continuous signup program.

An additional continuous signup option related to the CRP is the Conservation Reserve Enhancement Program (CREP), a joint program of USDA and the states to address nationally significant but more state-specific environmental concerns related to agricultural use. Using resources of the CRP as well as those of participating states, the CREP provides financial incentives to encourage farmers and ranchers to enroll in long-term contracts to remove lands from agricultural production. About 22,000 acres have been enrolled in the CREP using the continuous CRP signup. As of May, CREP agreements have been signed with Illinois, Maryland, Minnesota, New York, North Carolina, Oregon, and Washington.

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CRP Acreage Is Concentrated in the Plains and Midwest



One dot = 5,000 CRP acres

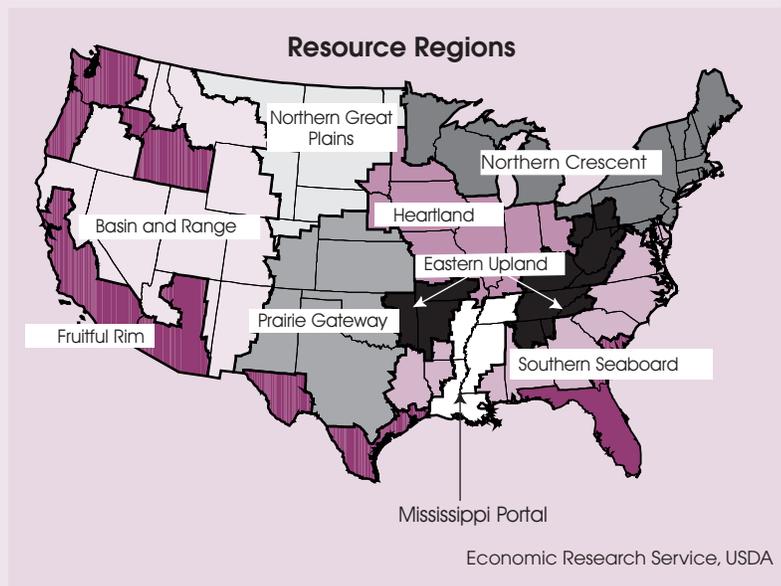
Distribution based on contracts effective October 1999.
 Source: Based on data from Farm Service Agency, USDA.
 Economic Research Service, USDA

Regional Distribution of CRP Acres

	Oct. 1999	Expanded*
Total CRP acres	31.3	45
	<i>Million</i>	
	<i>Percent of total</i>	
Basin and Range	5	5
Eastern Uplands	2	2
Fruitful Rim	6	5
Heartland	18	21
Mississippi Portal	4	4
Northern Crescent	5	6
Northern Great Plains	26	25
Prairie Gateway	31	29
Southern Seaboard	3	3
	100	100

*ERS estimate. Assumes enrollment criteria are unchanged.

Economic Research Service, USDA



Economic Research Service, USDA

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Recent Enrollments Yield High Environmental Scores

On March 4, the Secretary of Agriculture announced acceptance of approximately 5 million acres of the 7.1 million offered by landowners and operators for CRP enrollment during the 18th sign-up. USDA used the EBI to determine the amount of acreage to be accepted. Components of the EBI sum to a maximum of 560 points, though it is highly unlikely that any bid would achieve that score. USDA established a cutoff of at least 245 points on the EBI scale for accepted acres, reserving room within the program's overall acreage cap for acceptance of high-scoring bids which could be expected to be offered in subsequent signups.

When contracts for accepted bids from 18th sign-up go into effect on October 1, 1999, approximately 31.3 million acres out of a possible 36.4 million acres will be enrolled in the CRP, not counting additional enrollments under the continuous sign-up. The greatest amount of acreage enrolled will be in Texas, Montana, and North Dakota, each accounting for more than 10 percent of total enrollment, which continues the enrollment distribution prevalent before the 18th sign-up.

The EBI criteria and relative weights assigned to each factor have evolved since 1997 (sign-up 15), which complicates any comparison of accepted acres among signups. However, by applying the 18th sign-up EBI scoring procedure to data from earlier contracts, a comparison can be made for enrolled acreage across signups since 1997. The latest EBI scor-

ing procedure cannot be applied to data from signups before 1997, however, precluding comparisons with earlier years. Results of the comparisons of signups 15 through 18 indicate that land enrolled in sign-up 18 had the highest average EBI and the highest score for an aggregate of just the environmental components of the EBI (leaving out the cost factor).

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While some of the increase is due to adjustment made since sign-up 15 to the manner in which air quality and enduring benefits points are awarded under the EBI, some of the increase in the enduring benefits term is attributable to increased shrub and wildlife habitat plantings, and to increased enrollment of restored wetlands. In particular, about 5 percent of acres enrolled during the 15th and 16th signups were restored wetlands, compared with 9 percent of acres in the 18th sign-up. In addition, scores for wildlife habitat benefits have also risen significantly since the 15th sign-up, primarily a reflection of producers' efforts to enhance the probability of bid acceptance by improving cover planted to benefit wildlife

At the same time, however, another factor has partially counteracted this trend toward greater environmental benefits. The mean score for erosion reduction benefits has fallen for the last three signups. This is not surprising as the

amount of highly erodible acreage offered by producers has declined over the successive signups. The percentage of highly erodible acres enrolled in the program has declined in successive signups while the acreage of modestly erodible land with other environmental benefits has increased. Fields with an erodibility index of 8 or greater (defined as highly erodible for this article) comprised about 85 percent of acres enrolled during the 15th sign-up, but only about 66 percent of enrollment in the 18th sign-up. The percentages of highly erodible acres enrolled approximate the amount of highly erodible acreage offered. Much of the shift in land enrollment has been towards acreage eligible under wildlife criteria.

Also working against the high average EBI score earned by the greater quality of environmental benefits offered in the 18th sign-up has been a cost score lower than other recent signups. Producers have asked for higher rental rates—average rates for the 18th sign-up are the highest since the 13th sign-up in 1995, despite the decreased likelihood of acceptance. The higher per-acre costs reflects a shift in acreage enrollment toward the Midwest.

Remaining signups through the end of the program's current authorization in 2002 will likely not be as large as the 18th, since the program is now near the cap and relatively few currently enrolled acres are scheduled to expire before then. Only about 2.3 million acres will reach the end of their contracts over the next 3 years. Added to the 5.1 million acres remaining below the statutory acreage limit, that leaves room for enrollment or reenrollment of only about 7.4 million

The Average Environmental Benefits Index Score Increased in the Most Recent CRP Signups

Signup number (period)*	Average score for:							Cost**	EBI score***
	Wildlife benefits (max=100)	Water quality (max=100)	Erosion reduction (max=100)	Enduring benefits (max=50)	Air quality (max=35)	Conservation priority areas (max=25)	Sum of env. factors (max=410)		
15 (March 1997)	50	36	53	2	6	8	155	104	259
16 (Oct.-Nov. 1997)	63	40	41	11	14	13	181	97	279
18 (Oct.-Dec. 1998)	68	35	37	21	13	14	188	95	282

*Excludes the 17th sign-up—the continuous sign-up program between the 16th and 18th signups. **Higher score = lower CRP rent. ***Sum of environmental factor scores and cost score (rounded). EBI scores are standardized to the extent possible across signups to allow comparison. Weights from the 18th sign-up, including cost factor weighting, are applied to factors for the previous signups. However, criteria for some of the factors changed between signups, with the greatest change between the 15th and 16th signups.

Average rent per acre was \$39.23 in sign-up 15, \$45.19 in sign-up 16, and \$45.50 in sign-up 18.

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acres between now and 2002, unless the cap is raised. Given that the Clinton Administration's Clean Water Action Plan has reserved 4 million acres for the continuous signup, and the continuing need to provide for CREP agreements with the states, opportunities to enroll land through the regular signup process are much more limited than in the past.

How much expiring land USDA will reenroll if it is offered in future signups is uncertain. Of expiring land offered for reenrollment in the 18th signup, more than two-thirds was accepted. If high acceptance rates for currently enrolled land continue, then bidders with new land may face an even smaller probability of success in future signups. However, with the current EBI, a producer can increase the probability of acceptance by offering bids that provide substantial environmental benefits (such as better wildlife cover) or lowering rental payment requests.

What Might an Expanded CRP Look Like?

When Congress first authorized the CRP in 1985, it set an acreage cap of 40-45 million. Later legislation lowered the cap to its current level, but recent legislative efforts suggest renewed interest in raising the cap. If the acreage limit were increased, might the characteristics of acres enrolled in the program change?

An estimate of the distribution of enrolled acres in a 45-million-acre CRP may be made by combining information available from the NRCS's National Resources Inventory (NRI) with other information on the amount, location, and characteristics of acres that might be offered for enrollment, and assumptions about crop prices, production costs, management practices being employed, and rents and cost-shares bidders might ask. The NRI shows land characteristics, land cover, land use, and other physical variables.

The resulting simulation showed a lower mean EBI score for CRP acreage which would be expected since the EBI cutoff score would be lowered. Assuming eligi-

bility criteria do not change, the average erosion reduction factor of the EBI would decline most with increased acreage enrollment, consistent with recent experience of reduced offerings and enrollment of highly erodible acres. All other environmental factors of the EBI would remain relatively constant, so if the CRP were expanded, new enrollment would likely have less erosion reduction benefits compared to other environmental benefits included in the EBI. However, with greater acreage placed in conserving uses, total erosion benefits would still increase.

Under a program expanded to 45 million acres, allowing cropland with lower EBI scores into the program increases enrollment in all regions. Assuming potential bidders would indeed bid, model results indicate that no radical shifts in the geographic distribution of acreage would occur, though relatively more acreage would be enrolled in some regions compared with others. Under the simulated scenario, the relative share would increase only slightly in the Heartland and to an even lesser extent in the Northern Crescent. The Prairie Gateway, and, less so, the Northern Great Plains and Fruitful Rim, would in turn lose a slight share of acreage, even though total CRP acreage would still rise in those regions. The share of other regions would remain constant.

Limited opportunities now remain for new acreage to be enrolled in the CRP, with relatively little program acreage expiring through 2002, a desire to hold enrollment capacity in reserve for the continuous signup and the CREP, and a 36.4-million-acre enrollment cap. Unless legislative efforts to raise the acreage cap are successful, landowners who waited to enroll land through the regular CRP signups may now have waited too long. With relatively few opportunities for enrolling land under the CRP, eligible landowners who are interested in placing land in conserving uses may need to focus greater attention on the continuous signup and the CREP. **AO**

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July Releases—USDA's Agricultural Statistics Board

The following reports are issued electronically at 3 pm (ET) unless otherwise indicated.

July

- 1 Dairy Products
- 2 Dairy Products Prices (8:30 a.m.)
Basic Formula Milk Price (Wisconsin State Report)
- 6 Egg Products
Poultry Slaughter
Crop Progress (4 p.m.)
- 7 Broiler Hatchery
Noncitrus Fruits & Nuts - Ann.
- 8 Agricultural Cash Rents
- 9 Dairy Products Prices (8:30 a.m.)
Vegetables
- 12 Crop Production (8:30 a.m.)
Crop Progress (4 p.m.)
- 14 Broiler Hatchery
- 15 Milk Production
Turkey Hatchery
- 16 Dairy Products Prices (8:30 a.m.)
Cattle
Cattle on Feed
Sheep
- 19 Crop Progress (4 p.m.)
- 20 Cold Storage
Farm Production
Expenditures
- 21 Broiler Hatchery
Agricultural Chemical Usage - Vegetables
- 22 Mink
- 23 Dairy Products Prices (8:30 a.m.)
Agricultural Prices - Ann.
Catfish Processing
Chickens and Eggs
Livestock Slaughter
NASS Facts Newsletter (4 p.m.)
- 26 Crop Progress (4 p.m.)
- 28 Broiler Hatchery
- 29 Peanut Stocks & Processing
- 30 Dairy Products Prices (8:30 a.m.)
Agricultural Prices
Catfish Production